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Presentation to the Maine Municipal Tax Collectors' & Treasurers' Association, 2009

Maine Office of the State Auditor

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Maine Municipal Tax Collectors' & Treasurers' Association

Neria R. Douglass, JD, CIA

Maine State Auditor

May 7, 2009

PREVENTING FRAUD, WASTE AND ABUSE

Special thanks to Deputy State Auditor Dick Foote, CPA



Barrett Strong: Money (That's What I Want)
MotownSelect.com

Fort Kent confronts missing \$509,000 in tax money

By Beurmond Banville
Of the NEWS Staff

FORT KENT — The loss of \$509,007 in excise tax money raised by the town of Fort Kent is an "enormous one," equal to almost 5 mills in property tax collections, according to a town official.

Town Manager Don Guimond said Tuesday that the impact of the financial loss on the town is "tremendous."

"Many projects could have been accomplished" with the money, he said. The total amount, covering seven years and missing in connection with the apparent suicide of Fort Kent Office Manager Marilyn

Deschaine, was announced Monday at a council meeting.

Guimond said he had no idea where the missing money went. Deschaine, who drowned in May,

Manager says impact of loss 'tremendous'

"was not an extravagant person," said the town manager.

Lt. Darrell Ouellette of the Criminal Investigation Division of the Maine State Police said Tuesday

that investigators "have an idea where the money went, but we don't have any concrete evidence."

"If we did, there would be prosecution," he said. "We don't expect anyone to come forward and give it up."

"It is difficult to prove [where the money went]," continued the state police investigator. "We are sure she [Deschaine] gave a lot of it away. There is no indication in bank accounts to show the accumulation of half a million dollars, if you believe she is the sole person who took the money."

Ouellette said Monday that the criminal investigation showed that

no one now employed at the town office was responsible for the missing money, that the missing money came from the excise tax collections, "and Marilyn Deschaine was in charge of those funds."

"She cannot answer any allegations, and our investigation is at a

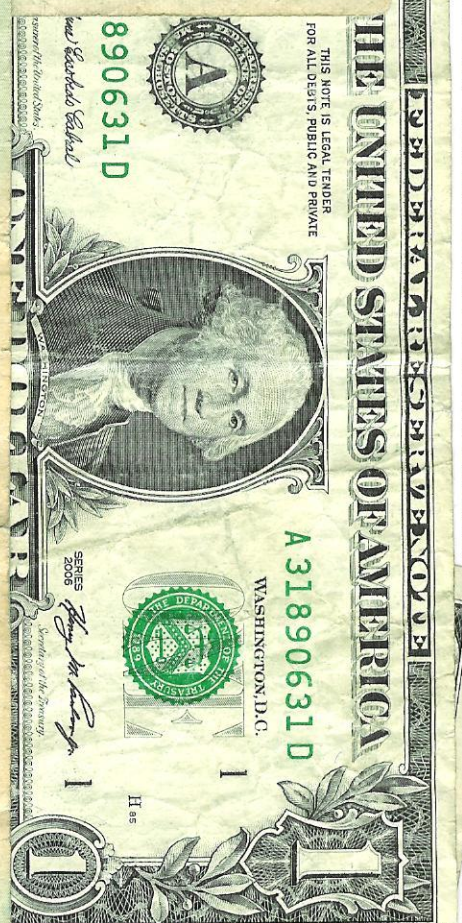
and had been at the office through four town managers and two office locations.

Evelyn Hartt of Fort Kent, Deschaine's sister, said Tuesday she was not ready to comment, but might at a later time.

State Auditor Gail M. St. Germain

as vulnerable, but most excise taxes are paid in cash, and it is a liquid asset."

In any year, excise tax collections can amount to more than 25 percent of the municipal budget at Fort Kent. In 1996, Fort Kent col-



Former town official sentenced to 2 years in theft of \$117,000

PARIS (AP) — A former community development director in Norway has been handed a two-year prison term for embezzling more than \$117,000 from the town over 14 years.

Deborah Wyman, 51, was sentenced Tuesday in Oxford County Superior Court after an unexpected guilty plea.

Wyman was sentenced to 10 years with all but two years suspended, to be followed by three years of probation. Justice Robert Crowley also ordered her to sell real estate, her car and a boat to help repay the town for its losses and the \$30,000 in auditing fees accrued during its investigation of the case.

Wyman's lawyer, Edward Dilworth III, said his client offered apologies to the town.

"It was always her intent to accept responsibility from Day One," Dilworth said.

The investigation began in January after the recipient of a 1099 tax form from the town said he never received the \$5,000 it indicated he had been paid. When a similar discrepancy also turned up, investigators subpoenaed local bank records and found several unauthorized fund transfers from the town's checking account to Wyman's personal bank account.

Authorities said Wyman stole and spent the money over a pe-

Deborah Wyman was cruising in the Caribbean with her boyfriend last March when she was named in an arrest warrant for felony theft.

it to support a luxurious lifestyle that included clothing purchases and vacations.

"She spent it almost as soon as she got it," Police Chief Rob Federico said Tuesday, but there were no major purchases that might attract attention. "She didn't show up with a brand new Hummer that really jumped out at you," he said.

Wyman was cruising in the Caribbean with her boyfriend last March when she was named in an arrest warrant for felony theft. She returned in April and posted \$2,500 bail.

According to audit findings released Tuesday, Wyman made 176 illegal transactions during the past 14 years, totaling \$117,592.

Auditors were unable to find documents before then.

Wyman, who had been living in Waterford, will serve her sentence at the Maine Correctional

Town clerk guilty of theft

By BETTY JESPERSEN
Staff Writer

FARMINGTON — Former New Sharon town clerk Ellen Grant, who was indicted last April for felony theft of municipal funds, has pleaded guilty to a misdemeanor.

In a deferred disposition in Franklin County Superior Court, Grant, 59, who was town clerk for 12 years, agreed to repay the town \$2,000. She was indicted last April for theft of more than \$4,000 between Jan. 1, 2002 and March 5, 2005.

The missing money, however, was reduced to \$2,000 after the Maine Department of Inland Fisheries & Wildlife notified selectmen the town had made a \$2,000 overpayment for fishing and hunting licenses, Franklin County Assistant District Attorney Andrew Robinson said Friday.

Grant agreed to a plea that requires her to repay \$2,000 within nine months. As long as she does not commit any more crimes, she can then withdraw the guilty plea from her record, Robinson said.

The specific amount of money missing was hard to pin down because statutes governing the job are vague. All is fine, as long as the person can account for the money by the end of the fis-

"She was allegedly using the next year's tax payments to reimburse the missing funds."

ANDREW ROBINSON
assistant district attorney
Franklin County

cal year when the books have to be balanced for the auditor, Robinson said.

"She was allegedly using the next year's tax payments to reimburse the missing funds," Robinson said at the time of the indictment.

The auditor, RHR Smith & Co, had concerns about being unable to reconcile the town's books and notified selectmen in 2004, Robinson said.

The case was handed over to the district attorney and assigned to Franklin County Sheriff's Detective Tom White. He worked on a similar case in Industry the year before that resulted in former town clerk Kathy Frazier pleading guilty to stealing \$26,000 in town funds. That money has been reimbursed.

Betty Jespersen — 778-6991
bjespersen@centralmaine.com

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Treasurer of the United States

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EB 4051419

John W. Snow
Secretary of the Treasury



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SERIES
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John W. Snow
Secretary of the Treasury



WASHINGTON, D.C.

Ex-clerk hit with 18 months

By BETTY ADAMS
Staff Writer
KENNEBEC JOURNAL Morning Sentinel

09/13/2007

A -- A former Manchester town clerk with signatures of 31 residents on posted, and

54, of Sidne
8 month
Fri

sentence
and, and

Cash missing from
Wednesday, April 19, 2006 -

MATTAWAMKEAG - The deputy investigated Tuesday by the Attorney's Office after town clerk missing from town cash

Deputy Clerk Betty T
suspension Friday
Selectmen, Town
board Chairmen

"It took a while

Twist
char

DOVER-FOXCROFT, Maine - A former Willimantic town official who embezzled more than \$46,000 from the town over a 10-year period was sentenced to two years but 1 years

Former town official sentenced to 2 years in theft of \$117,000

PARIS (AP) - A former community development director from Norway has been handed a prison term for embezzlement of \$117,000. The investigation began in January after the recipient of a 1099 tax form from the town said he never received the \$5,000 it indicated he had been paid. When a similar discrepancy was discovered, the town clerk was investigated. The investigation began in January after the recipient of a 1099 tax form from the town said he never received the \$5,000 it indicated he had been paid. When a similar discrepancy was discovered, the town clerk was investigated.

was cruising in the Caribbean with boyfriend March

we

We'd all like to believe that our neighbors are honest, hardworking people who would no more dream of raiding town coffers than their own children's piggybanks. Nevertheless, the incidence of municipal embezzlement is disturbing and leads us to question whether our cities and towns have systems in place that ensure maximum oversight of taxpayers' funds. That's because in virtually every one of the cases in which we hear about, adequate oversight was absent.

Help wanted: Professionals for Maine towns

By BETTY JESPERSEN
Staff Writer

OUR VIEWS

Former clerk Ellen last

"She was allegedly using the next year's tax payments to reimburse the missing funds."

NEW ROBINSON
District attorney

books
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gedly using payments missing at the time

ator, RHR Smith
cerns about being reconcile the and notified select Robinson said.

ae case was handed over to Franklin County but a five year sentence was given before the town clerk was suspended for multiple counts of fraud while she was in town. That burred.

Our regional identity is utterly bound up with our history of local control. Town meetings are virtually a ritual in these parts. We know of one town where the clerk was responsible for the town's finances; that's a lot of responsibility and trust vested in just one man or woman.

oney
down
ing the
as long
count for

Betty Jespersen -

ordered Wednesday to serve 18 months behind bars for documents in August 2000.

Why



**Prevent theft in your town
with good internal control**

FIVE COMPONENTS OF INTERNAL CONTROL

- **Control environment** —set the stage
- **Risk assessment** —what can go wrong
- **Control activities** —prevent things from going wrong
- **Information and communication** —get information and communicate it
- **Monitoring** —ongoing evaluation and results

Another way to look at Internal Control

BUILD A PYRAMID

THE PYRAMID

Information

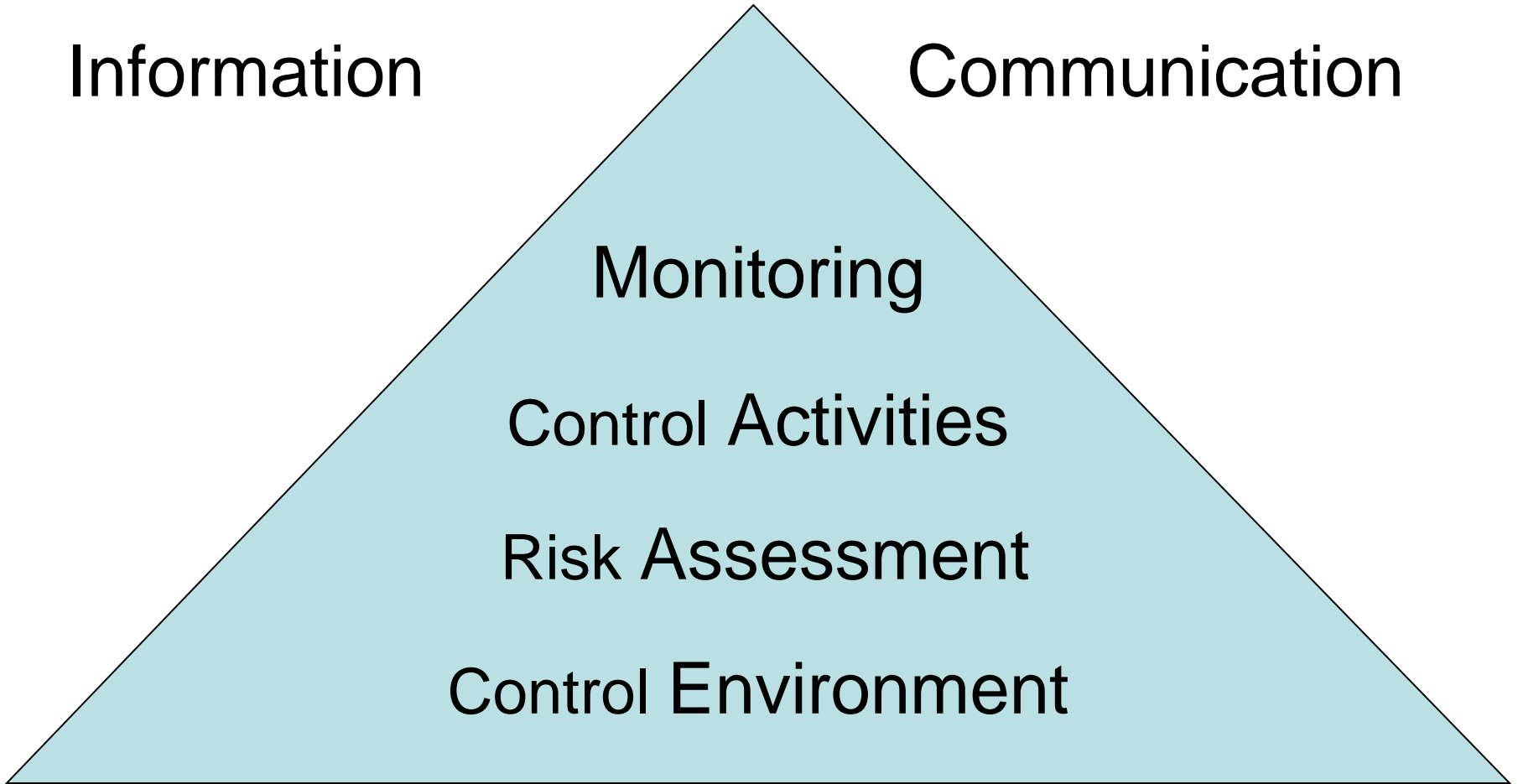
Communication

Monitoring

Control Activities

Risk Assessment

Control Environment



TRUST AND CONTROLS

- Control environment must provide for oversight: trust is not enough
- Risk is contained by oversight: trust is not enough
- Control activities must include oversight and supervision: trust is insufficient
- Information and communication about cash and receipts enhances oversight
- Monitoring is essential to oversight

Good Controls PROTECT GOOD EMPLOYEES

- Fraud is committed by those given trust
- Good internal controls protect:
 - The strong from temptation
 - The weak from opportunity
 - The innocent from false accusation

Questions to Ask Yourself

- Who opens the mail?
- Who receives cash during the day?
- Who records cash in accounts?
- Who approves vouchers?
- Who signs checks?
- Who approves new bank accounts?
- Who reconciles taxes receivable to GL?

Who collects cash?

- Receipt should be given to all
- Sequentially ordered receipt book/program
- Reviewed by supervisor
- Daily deposits of cash
- Separate cash drawers
- Timely deposits
- Intact deposits tracking amounts received

Crime -- the acronym for internal control

- ❖ **C**ontrol activities
- ❖ **R**isk assessment
- ❖ **I**nformation and communication
- ❖ **M**onitoring
- ❖ **E**nvironment (Control environment)

RADAR

--acronym for control activities
one important component of internal
control

- Receipts (Cash)
- Approvals (Disbursements)
- Deposits (Daily)
- Analytical (Review)
- Reconciliations (Monthly Bank)

Why the yellow DMV slip is **not enough**

- Excise taxes are a leading area of fraud
- Without sequentially ordered cash receipts, excise tax cash can easily go into a secret stash, difficult to trace
- Loss of one excise payment per week may not be detected
- Analytical review may not detect theft that occurred routinely before the review

Theft of Real Estate Taxes

- If the control environment is trust, without segregation of duties and supervision, larger theft is possible
- A second theft may be used to cover the first, leading to a downward spiral
- If no one is looking, when and how does the scenario end?

Considerations and Resources

- Forensic accounting resources are limited
- State and local police are not accountants
- Prosecutors have limited accounting resources to prove fraud
- Maine Department of Audit is responsible for state government
- A forensic audit is more expensive than a yearend financial audit

What can the Maine Department of Audit do to help?

- We are committed to helping all Maine citizens, but resources are very limited.